

APPENDIX G

FORM OF CONTINUING DISCLOSURE AGREEMENT

Relating to

\$315,410,000

**PUBLIC FACILITIES FINANCING AUTHORITY OF THE CITY OF SAN DIEGO SEWER REVENUE
BONDS, SERIES 1999A AND SERIES 1999B
(Payable Solely From Installment Payments
Secured by Wastewater System Net Revenues)**

This Continuing Disclosure Agreement (this "Disclosure Agreement") is executed and delivered by the City of San Diego (the "City") and State Street Bank and Trust Company of California, N.A., in its capacity as dissemination agent (the "Dissemination Agent") in connection with the issuance of \$315,410,000 Public Facilities Financing Authority of the City of San Diego Sewer Revenue Bonds, Series 1999A and Series 1999B (Payable Solely from Installment Payments Secured by Wastewater System Net Revenues) (together, the "Bonds"). The Bonds are being issued pursuant to an Indenture, dated as of September 1, 1993, between the Public Facilities Financing Authority of the City of San Diego (the "Authority") and State Street Bank and Trust Company of California, N.A., in its capacity as trustee (the "Trustee"), as amended by a First Supplemental Indenture, dated as of May 1, 1994, a Second Supplemental Indenture, dated as of December 1, 1995, a Third Supplemental Indenture, dated as of February 1, 1997, a Fourth Supplemental Indenture, dated as of September 1, 1998 and a Fifth Supplemental Indenture, dated as of March 1, 1999 (the "Fifth Supplemental Indenture"), each between the Authority and the Trustee (collectively, the "Indenture"). Debt service on the Bonds will be paid from installment payments made by the City pursuant to a Master Installment Purchase Agreement, dated as of September 1, 1993, between the Authority and the City, as amended by the 1993-1 Supplement, dated as of September 1, 1993, the 1995-1 Supplement, dated as of December 1, 1995, the 1997-1 Supplement, dated as of February 1, 1997, the 1998-1 Supplement, dated as of September 1, 1998 and the 1999-1 Supplement, dated as of March 1, 1999 (the "1999-1 Supplement"), each between the City and the Authority (collectively, the "Installment Purchase Agreement"). Pursuant to Section 5.02 of the Fifth Supplemental Indenture and Section 5.02 of the 1999-1 Supplement, the City and the Dissemination Agent covenant and agree as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the City and the Dissemination Agent for the benefit of the Owners and Beneficial Owners of the Bonds and in order to assist the Participating Underwriters in complying with the Rule (defined below). The City and the Dissemination Agent acknowledge that the Authority has undertaken no responsibility with respect to any reports, notices or disclosures provided or required under this Disclosure Agreement, and has no liability to any person, including any Owner or Beneficial Owner of the Bonds, with respect to the Rule.

SECTION 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

"Beneficial Owner" shall mean any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

"Bond Insurance Policy" shall mean the municipal bond new issue insurance policy issued by the Bond Insurer that guarantees payment of principal of and interest on the Bonds.

"Bond Insurer" shall mean Financial Guaranty Insurance Company or any successor thereto.

"Disclosure Representative" shall mean the Deputy City Manager of the City or his or her designee, or such other person as the City shall designate in writing to the Trustee from time to time.

"Dissemination Agent" shall mean State Street Bank and Trust Company of California, N.A., or any successor Dissemination Agent designated in writing by the City which has filed with the Trustee a written acceptance of such designation.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

"National Repository" shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule.

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Repository" shall mean each National Repository and the State Repository.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State" shall mean the State of California.

"State Repository" shall mean any public or private repository or entity designated by the State as the state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of this Disclosure Agreement, there is no State Repository.

SECTION 3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than 270 days after the end of the City's fiscal year (which fiscal year presently ends June 30), commencing with the report for the 1998-99 fiscal year, provide to each Repository, the Bond Insurer and the Dissemination Agent an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. If by such date the Trustee has not received a copy of the Annual Report, the Dissemination Agent shall contact the City and the Trustee to inquire if the City is in compliance with the first sentence of this subsection (a). Neither the Dissemination Agent nor the Trustee shall have no duty or obligation to review such Annual Report, in each case, the Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Agreement; provided that the audited financial statements of the City of San Diego Sewer Utility may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the City's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(f).

(b) Not later than fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report to the Repositories, the City shall provide the Annual Report to the Dissemination Agent (if other than the City or an employee of the City).

(c) If the Dissemination Agent is unable to verify that an Annual Report has been provided to the Repositories by the date required in subsection (a), the Dissemination Agent shall send a notice to each Repository and the Municipal Securities Rulemaking Board in substantially the form attached as Exhibit A.

(d) The Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report the name and address of each National Repository and the State Repository, if any; and

- (ii) file a report with the City (if the Dissemination Agent is not the City), the Authority and (if the Dissemination Agent is not the Trustee) the Trustee certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided, and listing all the Repositories to which it was provided.

SECTION 4. Content of Annual Reports. The City's Annual Report shall contain or include by reference the following:

1. The audited financial statements of the City of San Diego Sewer Utility for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated from time to time by the Financial Accounting Standards Board or as otherwise required by applicable State law. If the City of San Diego Sewer Utility's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.
2. An update of the information contained in Table 2 of the Official Statement, dated March 2, 1999, relating to the Bonds (the "Official Statement") for the most recently completed fiscal year.
3. An update of the information contained in Table 3 of the Official Statement for the most recently completed fiscal year (exclusive of the information contained under the column heading "Estimated Population").
4. The amounts appropriated for the projects contained in Table 4 of the Official Statement during the most recently completed fiscal year.
5. An update of the information contained in Table 5 of the Official Statement for the most recently completed fiscal year.
6. An update of the information contained in Table 6 of the Official Statement for the five most recently completed fiscal years.
7. An update of the information contained in Table 7 of the Official Statement for the most recently completed fiscal year.
8. An update of the information contained in Table 8 of the Official Statement for the five most recently completed fiscal years.
9. An update of the information contained in Table 9 of the Official Statement for the five most recently completed fiscal years.
10. An update of the information contained in Table 10 of the Official Statement for the five most recently completed fiscal years.
11. An update of the information contained in Table 11 of the Official Statement for the five most recently completed fiscal years.
12. Information contained in Table 12 of the Official Statement will be available in the City's audited financial statements.
13. Information contained in Table 13 of the Official Statement will be available in Exhibit D of the City's audited financial statements.

14. Information contained in Table 14 of the Official Statement will be available in Schedules F-1 and F-2 of the City's audited financial statements or it will be presented in tabular form comparable to Table 14.
15. An update of the information contained in the Official Statement under the heading "LABOR RELATIONS" for the most recently completed fiscal year.
16. An update of the information contained in the Official Statement in the third paragraph under the heading "PENSION PLAN" for the most recently completed fiscal year.
17. An update of the information contained in Table 15 of the Official Statement for the five most recently completed fiscal years.
18. An update of the information contained in the Official Statement under the heading "INVESTMENT OF FUNDS - Pool Liquidity and Other Characteristics," "-Derivatives" and "- Reverse Repurchase Agreement" and contained in Table 16 of the Official Statement for the most recently completed fiscal year.

SECTION 5. Reporting of Significant Events.

(a) The City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

1. principal and interest payment delinquencies;
2. non-payment related defaults;
3. modifications to rights of Bondholders;
4. optional, contingent or unscheduled bond calls;
5. defeasances;
6. rating changes;
7. adverse tax opinions or events affecting the tax-exempt status of the Bonds;
8. unscheduled draws on debt service reserves reflecting financial difficulties.
9. unscheduled draws on credit enhancements reflecting financial difficulties;
10. substitution of credit or liquidity providers, or their failure to perform;
11. release, substitution or sale of property securing repayment of the Bonds.

(b) The Dissemination Agent (if other than the City) shall, as soon as reasonably practicable after obtaining actual knowledge of the occurrence of any of the Listed Events contact the Disclosure Representative, inform such person of the event, and request that the City promptly notify the Dissemination Agent in writing whether or not to report the event pursuant to Section 5(f) and promptly direct the Dissemination Agent whether or not to report such event to the Bondholders. In the absence of such direction, the Dissemination Agent shall not report such event unless otherwise required to be reported by the Dissemination Agent to the Bondholders under the Indenture. The Dissemination Agent may conclusively rely upon such direction (or lack thereof). For purposes of this Disclosure Agreement, "actual knowledge" of the occurrence of such Listed Events shall mean actual knowledge by the Dissemination Agent if other than the Trustee, and if the Dissemination Agent is the Trustee, then by the officer at the corporate trust office of the Trustee with regular responsibility for the administration of matters related to the Indenture. The Dissemination Agent shall have no responsibility to determine the materiality of any of the Listed Events.

(c) Whenever the City obtains knowledge of the occurrence of a Listed Event, because of a notice from the Dissemination Agent pursuant to Section 5(b) or otherwise, the City shall as soon as possible determine if such event would be material under applicable federal securities laws.

(d) If the City has determined that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the City shall promptly notify the Dissemination Agent (if other than the City) in writing. Such notice shall instruct the Dissemination Agent to report the occurrence pursuant to Section 5(f).

(e) If in response to a request under Section 5(b), the City determines that the Listed Event would not be material under applicable federal securities laws, the City shall so notify the Dissemination Agent in writing and instruct the Dissemination Agent (if other than the City) not to report the occurrence pursuant to Section 5(f).

(f) If the Dissemination Agent is not the City and has been instructed by the City to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the Municipal Securities Rulemaking Board and the Repositories with a copy to the City and the Bond Insurer. Notwithstanding the foregoing, notice of Listed Events described in Sections 5(a)(4) and (5) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to the Owners of affected Bonds pursuant to the Indenture.

SECTION 6. Termination of Reporting Obligation. The City's obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If the City's obligations under the Installment Purchase Agreement are assumed in full by some other entity, such person shall be responsible for compliance with this Disclosure Agreement in the same manner as if it were the City and the original City shall have no further responsibility hereunder. If such termination occurs prior to the final maturity of the Bonds, the City shall give notice of such termination in the same manner as for a Listed Event under Section 5(f).

SECTION 7. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the City pursuant to this Disclosure Agreement.

SECTION 8. Amendment: Waiver. Notwithstanding any other provision of this Disclosure Agreement, the City and the Trustee may amend this Disclosure Agreement (and the Trustee shall agree to any amendment so requested by the City, provided, the Trustee shall not be obligated to enter into any such amendment that modifies or increases its duties or obligations hereunder) and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Owners of the Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Owners, or (ii) does not, in the opinion of the Trustee or nationally recognized bond counsel, materially impair the interests of the Owners or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the City shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the

amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(f), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Disclosure Agreement, the City shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the City or the Trustee to comply with any provision of this Disclosure Agreement, the Trustee may (and, at the request of any Participating Underwriter, the Bond Insurer or the Owners of at least 25 in aggregate principal amount of Outstanding Bonds, shall), or the Bond Insurer or any Owner or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the City or the Trustee, as the case may be, to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Indenture or the Installment Purchase Agreement, and the sole remedy under this Disclosure Agreement in the event of any failure of the City or the Trustee to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Trustee and Dissemination Agent. Article VIII of the Indenture is hereby made applicable to this Disclosure Agreement as if this Disclosure Agreement were (solely for this purpose) contained in the Indenture and the Trustee shall be entitled to the protections, limitations from liability and indemnities afforded the Trustee thereunder. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and the City agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall have no duty or obligation to review any information provided to it hereunder and shall not be deemed to be acting in any fiduciary capacity for the City, the Authority, the Bondholders or any other party. The Dissemination Agent shall not have any liability to the Bondholders or any other party for any monetary damages or financial liability of any kind whatsoever related to or arising from this Disclosure Agreement. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 12. Notices. Any notices or communications to or among any of the parties related to this Disclosure Agreement may be given as follows:

To the City:	City of San Diego Financial and Technical Services Business Center 202 C Street, M.S. 9-B San Diego, California 92101-3868 Attention: Ms. Patricia Frazier Deputy City Manager, Financial and Technical Services Telephone: (619)236-6070 Fax: (619)236-7344
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To the Dissemination Agent
or the Trustee:

State Street Bank and Trust Company of California, N.A.
633 West 5th Street, 12th Floor
Los Angeles, California 90017
Attention: Corporate Trust Department
Telephone: (213)362-7345
Fax: (213)362-7357

To the Bond Insurer:

Financial Guaranty Insurance Company
115 Broadway
New York, New York 10006
Attention: General Counsel
Telephone: (212)312-3067
Fax: (212)312-3206

Any person may, by written notice to the other persons listed above, designate a different address or telephone numbers) to which subsequent notices or communications should be sent.

SECTION 13. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Authority, the City, the Trustee, the Dissemination Agent, the Participating Underwriters, the Bond Insurer and Owners and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 14. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Dated: March 17, 1999

CITY OF SAN DIEGO

By _____
Authorized Officer

STATE STREET BANK AND TRUST
COMPANY OF CALIFORNIA, N.A.,
as Dissemination Agent

By _____
Authorized Officer

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Public Facilities Financing Authority of the City
of San Diego (the "Authority")

Name of Bond Issue: Public Facilities Financing Authority of the City of San Diego
Sewer Revenue Bonds, Series 1999A and Series 1999B (Payable Solely from
Installment Payments Secured by Wastewater System Net Revenues)

Name of Obligated Person: City of San Diego

Date of Issuance: March 17, 1999

NOTICE IS HEREBY GIVEN that the City of San Diego has not provided an Annual Report with respect to the above-named Bonds as required by Section 5.02 of the 1999-1 Supplement to the Master Installment Purchase Agreement, dated as of March 1, 1999 between the Authority and the City. The City anticipates that the Annual Report will be filed by _____.

Dated: _____

CITY OF SAN DIEGO